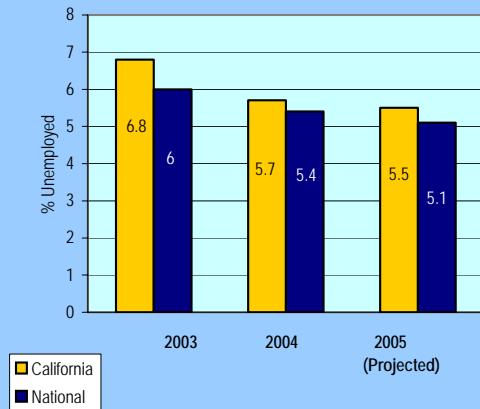


California's Economy:

California Versus National
Unemployment Rates



Sources: Wells Fargo Economics,
U.S. Bureau of Labor Statistics

“California’s business environment will continue to present a challenge—there is a ‘premium’ attached to doing business in the state and it is getting bigger.”

**Los Angeles Economic
Development Corporation
2004-2005 Economic
Forecast & Industry Outlook,
July 2004**

In 2004, California’s economy clearly gained modest momentum on a slow path to recovery. California’s diverse, nearly \$1.5-trillion economy remains the sixth-largest in the world and constitutes 13.5 percent of the United States’ Gross Domestic Product.¹

Employment

California’s unemployment rate has continued to drop, from 6.6 percent in 2003,² down to 5.7 in 2004.³ Although this is higher than the 5.4 percent national unemployment rate,⁴ the addition of 147,000 jobs since November 2003 has helped to narrow the gap between state and national unemployment rates.⁵ The state’s construction sector experienced the most significant job gains,⁶ while the government and information technology sectors suffered the greatest number of job losses. Government was the hardest hit sector in the state, with a three percent decline.⁷ While the administration’s ambitious government reorganization plans, taken from the recommendations of the California Performance Review team,⁸ have been scaled back significantly, legislative action on the 2005-06 budget proposal may result in additional public sector job losses.

Business Climate

California has experienced a steady growth in taxable sales, rising from about \$436 billion in 2002, to \$476 billion in the first quarter of 2004.⁹ The 2003 workers’ compensation reforms have decreased insurance rates and helped to reduce the cost of doing business in California. Yet, the business climate remains far from ideal. After steady increases in residential construction during the first few months of 2004, in the fourth quarter, construction dropped to its slowest pace since December 2002, an indicator that the growth of California’s real estate market has begun to level off.¹⁰

¹ California Legislative Analyst’s Office, *Cal Facts 2004*, Sacramento, 2004, p.1.

² “California Labor Market Review,” California Employment Development Department, *California Labor Market Review*, November, 2004, p.1.

³ Ibid.

⁴ Ibid., p.1.

⁵ Ibid., p.5.

⁶ Ibid., p.1.

⁷ Ibid., p.5.

⁸ California Performance Review. <http://www/cpr.ca.gov>.

⁹ Wells Fargo Economics, *California Outlook*, October 2004, p.3.

¹⁰ “Economic Update,” *Finance Bulletin*, California Department of Finance, December 2004, <http://www.dof.ca.gov>.